

June 22, 2000

The Honorable David M. McIntosh  
Chairman  
Subcommittee on Natural Economic Growth,  
Natural Resources, and Regulatory Affairs  
Committee on Government Reform  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This responds to your recent letter to Secretary Summers soliciting recommendations for changes to laws that impose unnecessary or overly burdensome paperwork requirements.

The Department of the Treasury strives to minimize paperwork burdens imposed on the public consistent with statutory requirements and sound administrative and enforcement policies. We have identified several statutory provisions that we believe could be amended to reduce paperwork burdens on the public as well as Federal agencies. These are described in the enclosure to this letter. We will continue to review statutes under the Department's jurisdiction and we will advise you if additional provisions are identified.

We appreciate your interest in eliminating unnecessary statutory paperwork burdens and minimizing the burdens of those requirements that are necessary.

Sincerely,

/s/

Joan Donoghue  
Acting General Counsel

Enclosures

cc: The Honorable Dennis Kucinich

## DEPARTMENT OF THE TREASURY

### Recommended Changes to Statutory Provisions that Impose Unnecessary or Overly Burdensome Paperwork Requirements

1. Provide Marriage Penalty Relief and Increase the Standard Deduction

Citation: 26 U.S.C. 63

Change: Increase the standard deduction for married taxpayers filing a joint return by up to \$1,450 (in 2001 dollars).

Rationale: This change would increase the number of married taxpayers that can minimize their tax liability by claiming the standard deduction instead of itemizing deductions on their Federal income tax return.

2. Alternative Minimum Tax (AMT) Relief for Individuals

Citation: 26 U.S.C. 55-59

Change: Allow dependent personal exemptions and standard deduction in computing AMT.

Rationale: This change would reduce the number of individual taxpayers subject to the AMT and required to file Form 6251. It would also eliminate the need for taxpayers to itemize deductions for the sole purpose of reducing AMT liability.

3. Simplify and Increase the Standard Deduction for Dependents

Citation 26 U.S.C. 63

Change: Increase standard deduction for dependent filers to the amount of the dependent's earned income plus \$700 (but not more than the regular standard deduction).

Rationale: This change would reduce the number of dependents required to file a tax return.

4. Simplification of Definition of Child Dependent

Citation: 26 U.S.C. 151

Change: Base the exemption for dependent children on relationship and residency.

Rationale: This change would eliminate the need for taxpayers to maintain extensive records to prove that they support their own children.

5. Index Maximum Exclusion for Capital Gains on Sale of Principal Residence

Citation: 26 U.S.C. 121

Change: Index the maximum amount of gain that can be excluded from gross income when a principal residence is sold.

Rationale: This change would increase the number of taxpayers who are not required to file Schedule D (capital gains), Form 1040, when their principal residence is sold.

6. Tax Credit To Encourage Electronic Filing of Individual Income Tax Returns

Citation: 26 U.S.C. 6012

Change: Provide a temporary credit of \$10 for each income tax return electronically filed and a credit of \$5 for each income tax return filed through Telefile.

Rationale: The change would provide an incentive for taxpayers to avoid the burdens associated with filling out paper returns.

7. Expensing for Small Business

Citation: 26 U.S.C. 179

Change: Expand the circumstances under which expenses can be deducted when incurred instead of depreciated over the useful life of the property.

Rationale: This change would increase the extent to which taxpayers can recover the cost of property on the income tax return for the year in which the property is placed in service rather than as depreciation deductions on Forms 4562 filed each year during the recovery period of the property.

8. Optional Self-Employment Contributions Act Computations

Citation: 26 U.S.C. 1401-1403

Change: Combine the two optional methods of computing income subject to the self-employment tax into a single method.

Rationale: This change would simplify self-employment tax computations for approximately 30,000 taxpayers and would simplify Schedule SE, Form 1040, for the millions of self-employed workers that do not use the optional methods.

9. Simplify the Foreign Tax Credit Limitation for Dividends from 10/50 Companies

Citation: 26 U.S.C. 901-908

Change: Simplify the application of the foreign tax credit limitation by applying the "look-through" approach immediately to dividends paid by a company (other than a controlled foreign corporation or a passive foreign investment company) in which the taxpayer owns at least 10 percent of the voting stock regardless of the year in which the earnings and profits out of which the dividend is paid are accumulated.

Rationale: Eliminating the provision under current law requiring the concurrent application of a different test for dividends paid out of pre-2003 earnings and profits will reduce complexity and compliance burdens relating to Form 1118 for U.S. taxpayers participating in foreign joint ventures and foreign investment through affiliates that are not majority owned.

10. Provide Interest Treatment for Dividends Paid by Certain Regulated Investment Companies to Foreign Persons

Citation: 26 U.S.C. 1441

Change: Treat as interest exempt from withholding upon distribution to foreign investors income received by a domestic mutual fund that invests substantially all of its assets in U.S. debt securities or cash.

Rationale: This change would relieve these mutual funds of the obligation to withhold tax on amounts paid to foreign shareholders and file Forms 1042 and 1042-S with respect to amounts withheld.

11. Allow Deduction for Charitable Contributions for Taxpayers who do not Itemize Deductions

Citation: 26 U.S.C. 170

Change: Allow taxpayers who do not itemize deductions to deduct 50 percent of

their charitable contributions in excess of \$1,000 (\$2,000 for married taxpayers filing jointly).

Rationale: For taxpayers whose itemized deductions exceed the standard deduction by less than the amount allowed under the proposal, the change would eliminate the need to itemize all deductions on Form 1040, Schedule A.

12. Allow Flexibility in Setting the Return Periods for Small Producers of Wine and Beer That Withdraw Their Product Under Bond for Deferred Payment of Tax

Citation: 26 U.S.C. 5061(d)(1)

Change: Authorize ATF to prescribe by regulation the return period for small producers of wine and beer that withdraw their product under bond for deferred payment of tax.

Rationale: By providing such flexibility ATF will be able to eliminate approximately 90,000 tax returns each year and to reduce its administrative costs by about \$270,000 annually.

13. Reporting Regulations to the Congress

Citation: 5 U.S.C. 801

Change: Eliminate the requirement that Federal agencies transmit a copy of each non-major final rule published in the *Federal Register* to the House, Senate, and General Accounting Office.

Rationale: Transmitting three copies of each non-major final rule published in the *Federal Register* is wasteful and unnecessary. Eliminating this requirement would not affect the congressional disapproval procedures codified at 5 U.S.C. 802 if section 802(b)(2) is amended to provide that "submission or publication date" means the date of publication in the *Federal Register* in the case of a non-major rule published therein.